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UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL ADJUSTMENT ADMINISTRATION

WASHINGTON, D.C.

A CHARTED COURSE TOWARD STABLE PROSPERITY

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BECAUSE we have had in the United States this season the worst weather for crops in 40 years, advocates of the old order whisper it around the country that the drought is a judgment from Heaven upon us, and they say that the entire program of the Agricultural Adjustment Administration should be abandoned immediately. They are advocates of chaos.

An adjustment program must in its very nature be kept adjustable, and it should be at all times subject to free criticism. But when you come to examine most proposals of the opposition you find that the cry is for no course at all. On our course to balanced harvest and an assured and stable food supply we have met bad weather. In time we shall meet bad weather again. Therefore, these old-deal pilots say that we must abandon distant landmarks, toss all charts overboard, and steer as of old from wave to wave. It was just such childish courses that had us about on the rocks on March 4, 1933, and we have as yet by no means triumphantly weathered the consequences of their heedlessness.

IN OTHERS DAYS—AND NOW

In our grabbing, joyous youth as a Nation we could better afford to trust ourselves to such pilots. When things went wrong there was a near and friendly shore. In time of depression you could hit out for free land or still unplundered mines and forests, each man for himself, devil take the hindmost, and gamble some more.

But it should by now be plain to nearly everyone that we can no longer escape from depressions by a restless, greedy spirit and dumb luck. We cannot get out of this mess by throwing all discretion overboard, or by blindly sailing separate courses which have no sensible relation or common port. For the long pull we cannot starve agriculture and save industry, or fatten our agriculture at undue cost to our townspeople. Americans are too exclusively one another's customers to permit free raiding privileges either way.

The job of maintaining a just and workable internal balance of purchasing power is a hard one, but we cannot afford again to let things ride. We must lay a long-time course and manage to obtain an understanding, general allegiance to it. For one thing, our people in both agriculture and industry must soon decide whether they are going to make some necessary sacrifices along our tariff barricades, and open up business with the world again, or whether, under a rather severe system of internal cooperative discipline, we are going to try to keep business going more or less exclusively among ourselves.

USE OF NATURAL RESOURCES

There is also the long-time question of a wise use of our natural resources. The first of these is our soil. The damage this savage drought has done our land will heal with rain, but the damage that we ourselves have done our land by generations of haphazard, misplaced settlement, overcropping, exploitation, and permitted erosion will never heal unless we take hold of the situation, and keep hold, with a long-time program of soil repair, resettlement, and balanced harvests.

On the new course, we are making progress; but we have far to go. There will still be out of work in the United States this winter about 8,000,000 men and women. Perhaps 5,000,000 of these are able and aching to work. They are blameless inheritors of a long-continued national policy of simply trusting to luck. The considerable part of our still-existing farm surpluses which is diverted through the present program to feed these millions will be of great help; but the unemployment situation continues serious and calls for something more enduring than patchwork and guesswork.

Our program to secure for farmers a pre-war parity price for their products has a definite and demonstrable connection with city employment rolls. When farmers are permitted to go broke by the millions, as they were under the old deal, our greatest single domestic market for city goods is shattered; factories are closed; bread-lines are lengthened, and again are lengthened by the migration of dispossessed and desperate farmers seeking jobs in town, at any price.

BELIEVERS IN A WONDERLAND

Let me say at this point that opposition to agricultural adjustment is not merely partisan. Prominent among the opposition are men and interests tagged Democratic as well as Republican. They are believers in an industrial and agricultural wonderland where nothing is managed but where they imagine all things work for the best, and especially so for the best people. Their cruel and stupid national policy of high and yet higher tariffs for industry, with nothing to compensate agriculture for a vast loss of export business, led me to get out of the Republican Party. It seems that they have forgotten nothing and learned nothing in the hard years since 1929.

The same leaders who stood steadfastly against the restoration of foreign purchasing power by making possible importations of more goods from abroad, and who with equal steadfastness refused

farmers producing export crops the right to make the tariff effective on their products, are again at work. All they can do is to league themselves with chaos. They have nothing new to offer whereby chaos can be reduced to order.

They maintained foreign purchasing power temporarily, from 1921 to 1930, by allowing investment bankers to flimflam the gullible public to the tune of from a half a billion to a billion dollars' worth of mostly worthless foreign bonds annually. For 12 long years they built up eventual chaos because they did not have sufficient statesmanship and courage to show the way that the people of a creditor nation must act.

Their dog-in-the-manger leadership brought wheat down to 30 cents a bushel, cotton to 5 cents a pound, hogs to \$2 a hundredweight and corn to 6 cents a bushel. One-quarter of the farms of the United States changed hands because of mortgage or tax delinquencies. Another quarter were in prospect of being lost. The excessive misery of the great exporting sections of our population threw millions of men out of employment in our industrial centers and finally reached every one in the country.

What counsel do these leaders bring us now? With tongues of duplicity they say in one part of the country that the A.A.A. should be done away with forthwith, because most surpluses will have disappeared by the summer of 1935. At the same time in another section of the country their spokesmen profess to be greatly fearful of increasing imports of goods from abroad. They tell the consumer that he is paying the processing tax, the farmer that he is paying it, and the processors that they are suffering from it. It is the same old blend of fierce personal greed and muggy thinking that they offered us before.

A RECONSTRUCTION PARTY

The Democratic Party has been thrust by dire need into the role of a party of national reconstruction. The old party tags do not mean as much as they used to, by any means. I hope that they will mean even less in time to come. We badly need a new alinement: Conservatives versus liberals; those who yearn for return to a dead past, comfortable for only a few, versus those who feel that human intelligence, freed and exercised, can lead us to a far more general abundance and peace between warring groups.

With the old crowd shouting the same cries and whimpering the same old incantations, it seems to me that the faster the showdown comes, and the more definite the division between the old dealers and new dealers of both great present parties, the better.

It is not true, as the oldtimers charge, that the young Agricultural Adjustment Administration is inhospitable to criticism and cannot take it. We have taken plenty from the first, and have used whatever we could find in it to repair our mistakes on the march.

At times we have had to meet emergencies by rather crude measures. We have made some bad guesses. But on the whole I think we may claim to having stuck fairly close to attacking a fact which throws this Nation badly off balance, unless something is done about it, from year to year.

I have stated and restated this strong point of our present attack so many times that the theme has become threadbare. But let me state it briefly here again, for it has a real bearing on the easy, interested, or born-plunger view that Heaven has stepped in and taken the problem of balanced harvests and of a balanced interior purchasing power out of merely human hands forever.

CROPS AND LOANS

Here is the situation the present administration inherited, and some part of this situation will stretch at least 10 years into the future: 50,000,000 acres of land were put in crops during the war, and were kept there, on unrecoverable loans made by this Government abroad. We lent Europe money to buy our crops. The loans were unrecoverable because we hoisted tariff barriers and would not accept goods in return. The showdown, and the ending of all that, came in 1930.

The 50,000,000 acres are still there. What shall we do about them? Sink back into the 1932 situation? Sink back into a do-nothing-but-hope attitude? Start lending money again to pump up again a false market for the crops of that land? Continue adjustment payments as now? Or build up foreign purchasing power soundly, by lowering tariffs, and importing a greatly increased amount of foreign goods?

Many people do not like crop control and they do not like the processing taxes. They say that processing taxes are, in effect, sales taxes. In a way, they are; but so are tariffs. Every farm-relief drive has started off as a drive for a tariff-equivalent measure for agriculture. But because the tariff is so explosive a subject politically, cutting the old party lines into a maze of local interests, industrial and agricultural, the tariff-equivalent aspects of farm relief are little stressed, as a rule, by partisans.

In presenting to the Nation at Topeka the fundamentals of our present program of agricultural adjustment, President Roosevelt frankly said that the domestic-allotment plan, with its processing taxes, was designed to give farmers tariff-equivalent protection. And we who are in the agricultural adjustment end of his administration have stated repeatedly that the emergency phase of our program is designed primarily to hold the fort until the people of the United States as a whole are willing to permit a sane relaxation of tariffs.

If tariffs are lowered, and many more foreign goods are brought in to repay farmers and others for goods shipped abroad, we can have fewer and lower processing taxes. To the extent that we levy on and restrict trade at our borders, however, we must maintain compensating restrictions to sustain agriculture—our greatest exporting business—within. The processing tax is the farmers' tariff. We cannot get along without it and have high tariffs too.

The very first thing we tried to stress about the A.A.A. was its adjustability to changing circumstances and emergencies. Immediately after the passage of the Farm Act, in May of 1933, I went on the air, and said:

The first job is to organize American agriculture to reduce its output to domestic need, plus that amount which we can export at a profit. If it happens that the world tide turns, we still can utilize to excellent advantage our crop ad-

justment set-up. We can find out how much they really want over there, and at what price; and then we can take off the brakes and step on the gas a little at a time, deliberately, not recklessly and blindly, as we have in the past. * * * But first a sharp downward adjustment is necessary, because we have defiantly refused to face an overwhelming reality, and changed world conditions bear down on us so heavily as to threaten our national life.

The thought I was then trying to develop is that it is a poor piece of social machinery which is built to operate always in reverse. The A.A.A. was not thus planned or built. We have in it something new, and still crude, but it is a typically American invention equipped to meet crises, go around or through them.

A SPUR TO PRODUCTION

Our agricultural adjustment machinery could readily be turned to spur rather than to check farm production, should need arise. If this country should ever attain to an enlightened tariff policy, re-opening world trade; or if there should be war beyond the ocean and other nations clamor for our foods again, it is conceivable that we might offer adjustment payments for more, rather than for less acreage, in certain crops.

That is the very last use I should want to see our adjustment machinery put to, but it could ameliorate the waste and suffering of such an emergency, just as it can meet and to some extent ameliorate the suffering caused by this drought. With controls locally organized and democratically administered, we could provision a war in an orderly, organized manner, with far less of that plunging, uninformed and altogether unorganized overplanting which got us into so much trouble during and after the last great war.

I am convinced that the people of this country do not want to see another war or to get into one. If we have learned anything at all, we have learned that war is a bad business, a murderous business, and that all you can collect on it afterward is increasing grief. Another World War would conceivably destroy us and destroy civilization.

A RECURRING REALITY

I do find some feeling here and there that a good-sized war abroad which we could keep out of, yet provision and supply, would be better than toilsome, peaceful planning, and a more generous internal sharing of existing wealth, as a measure of national recovery. But I do not think this feeling is wide-spread in business circles or elsewhere in our country. I feel that even those who did not suffer in the field the last time the world went crazy have now suffered enough post-war consequences so that they do not want new foreign customers, temporarily, for our farm and other products at such a price.

Like drought, earthquakes, flood, fire, and famine, war remains, however, a recurring reality. Drought is upon us now. Beyond the seas, nations hurt by the terrible grind of ungoverned economic forces are in warlike mood. Their men are arming. We want none of that, but the world is small.

It is the duty of wise statesmanship to lay a far course and to lead people toward security; toward an alleviation of needless misery, dis-

sension, and waste; toward peace between neighbors, classes, and nations. Yet the machinery set up to that end must be adaptable to use in times of tragic natural disasters, such as this drought, and in times of terrific outbursts of blind competition, carried, as has long been customary, to the nth degree, with gunfire. That is why I have mentioned the adaptability of the A.A.A. to a wartime state, should such madness again possess the nations of Europe and Asia, or our own.

As it is, we have laid a peaceful course, not too fixed or rigid, for American agriculture. It is a course to a far end: Balanced harvests, with storage of an ever-normal granary; a peaceful balance between our major producing groups, rural and urban; a wise and decent use of all our land; a shared abundance, here at home; and, if possible, sensible and friendly trading relations with the people of other lands.

We are now only at the beginning stages of that course. This year we have had extremely punishing weather. In consequence, we have in certain large regions a desperate farm situation; and there will be discontent in the cities, which the opposition will not neglect to foment, over somewhat higher food and clothing prices, in general, during the coming year.

Our chief unsettling point of national unbalance remains. If we were to remove controls, and if there were resumption of normal or nearly normal growing weather (as is always probable) next year and thereafter, that point of unbalance could occasion us just as much damage in the future as it has caused in the past. I mean those 50,000,000 acres of land whose crops we used to sell abroad and now do not.

SURPLUS ACRES REMAIN

Hemmed in with trade barriers as we still are, there are surplus acres still. Their probable future production, if they were plowed and tilled, would pile high a wasted yield, left to rot, and at the same time spread trade paralysis and factory shut-downs throughout the country again. We have not solved our basic farm-surplus problem. Those 50,000,000 acres of land must be held out of commercial production until foreign demand is effectively restored. That surplus land does not fade away, even in such a drought as this one. The really menacing surplus is not of shifting yields; it is that 50,000,000 tilled acres.

After a drought like this one, all the conditions are present for a swift return to surplus production. After a drought, the biggest increases in acreages often occur. Farmers, lured by high prices, and unemployed city labor and capital, seeing a chance for quick profits in agriculture, might have an inducement to expand farm production abnormally if the Adjustment Act did not provide machinery to prevent.

Because the constituent parts of the soil, such as the nitrates, are not drawn upon during extreme drought, return to normal rainfall seems to bring more than normal yields. Thus production, responding to these different forces pulling in one direction, goes up with a bound. Drought, unbalancing production one way, really lays the

basis for a new cycle of unbalance the other way. A year or two or three of oldtime planless, uncontrolled production and normal or bumper crops could put the farmer right back where he was in 1932, with farm prices in the cellar and the whole country suffering again from drastic price collapse.

THE TIME OF NEED

In fact, the time when careful planning and restraint are most desperately needed is at the beginning of a disastrous cycle, while there is a chance for effective action, rather than toward the end of such a cycle, when colossal damage has already been done.

There is a lesson to be learned from the Nation's failure, between 1925 and 1928, to use the Federal Reserve Act powers to restrain credit inflation and speculation in time to avert the stock-market boom and calamitous crash of 1929. Devices to insure stability are of no avail unless they are employed with courage and intelligence before it is too late.

And now the oldtimers seize upon a year of blazing weather, scant water, and short crops, as a sign in the sky that the old deal may now return and that everything hereafter can be as it used to be. They cry (I quote from the house organ of a group of Midwestern trade papers which report from the standpoint of oldtime livestock markets and packing houses) thus:

In spite of the most convincing evidence that man is only a minor factor in crop control; that the weather cannot be made by law; that insects cannot be enjoined by courts; that human nature does not change; that a food reserve is a mighty handy thing to have around; that man-made influence or control in production and trade creates uncertainty that gives rise to other uncertainties; that the A.A.A. farm relief program is a colossal failure; in spite of all these perfectly obvious things, reports from Washington indicate that the A.A.A. crop-control program is to go right ahead.

TRIBAL VOODOOISM

That is very cleverly put. A well-schooled, well-paid man wrote it, very probably, and may even have been persuaded that he was writing sincerely, and with common sense. The throbbing appeal of the first part of it, especially, comes close to primitive tribal voodooism. Man is a pigmy, under the burning sky. Even insects are so much smarter and more powerful than he is that he must bow meekly to the existing totems, or maybe he will starve.

This sounding appeal to do nothing but take the weather and whatever price is offered, with fatalistic resignation, comes very close to witchcraft, it seems to me. Suppose we had, as to human diseases, or navigation, or in any other imagined modern human pursuit, bowed to such reasoning and simply let nature take its course. If James Watt, or Robert Fulton, or the Wright brothers had met a man as gifted and persuasive as the anonymous writer I have quoted, and had been convinced, we might never have had trains and steamers moving on reasonably precise schedules on far courses; we could never have flown in airplanes through the skies that some said pigmy man should never presume to conquer.

Farming, like transportation, is a business conducted in the face of natural hazards, out of doors. Individual farmers do not let nature take its course. They govern for human needs the courses of nature, not perfectly, but as well as they can. Now that they have had a taste of trying the same thing, collectively, of farming together instead of against one another, I have little fear that they will listen in great numbers to old-time voodoo drummers, with modern equipment; and draw back in the face of 1 dry year.

CONTROL OF RESULTS

Of course we cannot control the weather from day to day or from year to year, but we know a great deal more about weather, past and future, than we used to; and we are learning to control and ameliorate the results of bumper and bad crop weather—as expressed of old in cycles of glut and famine—as we go along.

Reports have been sent to the daily press; so I shall not here recount in detail what the A.A.A. has done already to combat the consequences of the 1934 drought. We did not foresee the drought so far ahead as the time in 1933 when, because of other pressing considerations, we induced a slaughtering of 6,000,000 little pigs some months ahead of the time when they would customarily have been killed and eaten. But this, together with a 28 percent reduction in the spring pig farrow of 1934, saves for our present use 350,000,000 bushels of corn which now we badly need.

That was luck; but if we had not started as we did to induce long-time agricultural controls and balances, we should not have had that luck. The corn in question would have been sold in very low-priced or completely valueless hogs at the equivalent of 10 cents a bushel. We come now, with this corn, to a time when it is vitally needed at a price equivalent to 60 cents a bushel for feed to livestock for our next year's food supply.

THE PRICE OF PIGS

Even with the 28 percent reduction in spring pigs the drought was so severe in the Western and Southwestern Corn Belt that in August of 1934 pigs sold for 25 cents a head, or even less. Think of what the waste would have been if there had not been set up in Washington central mechanisms which can function rather quickly for balancing supply to effective demand, and for the relief of stricken areas.

This year our crop-adjustment programs saved thousands of farmers in northern Kansas, Nebraska, Oklahoma, the Dakotas, western Minnesota, and southern Iowa from economic extinction. Thousands of farmers in these sections, because of the drought, harvested practically nothing. Their benefit payments for planting adjustments were much larger than their crop sales. The adjustment payments served them as drought insurance and will hold most of them in the picture as producers of food for the cities in future years.

Let economic stress and the weather in the future put farmers out of business as fast as in the past, and the time will surely come when there will be a real food scarcity, famine prices, a tremendous pres-

sure upon nonagricultural jobs, and economic unbalance, such as, history shows, has been carried in the past to the point of civil strife and bloodshed.

In this drought, the entire picture, both from the producers' and the consumers' standpoints, is much better for this coming winter than it would have been if this administration had not started to help the farmers to organize their harvest sensibly in view of probable paying demand. Under the Adjustment Act, the consumer is protected from gouging by the parity principle, which cuts off processing taxes and adjustment payments to farmers on any given commodity when that commodity reaches a price that gives it the buying power, in terms of other goods, that it had in the normal pre-war period, 1909-14.

As much buying power as that needs to be maintained out in the great farming sections of our country to keep our factory wheels spinning and to keep the people in all city occupations something like normally employed. Without any great stretch of the imagination, the processing tax, from which we derive the necessary adjustment payments to farmers, can truly be said to be an insurance fee against further unemployment, paid by the people who have jobs and are able to pay fairer prices than those which prevailed 2 years ago for their food and clothing. If they still have no jobs, and cannot pay, we feed them free out of the unsalable surplus.

On the drought-stricken ranges west of the Corn Belt the action we took in the early summer to salvage relief beef and cheap beef was not just luck. It was a planned piece of work to save cattlemen from an absolute wipe-out and to help provision the Nation. So in this last session of Congress cattle were made a basic commodity and funds were provided for cattle adjustments without thought of drought.

By the time drought came, we were ready to go into action which was swiftly shaped to meet drought conditions. Toward the end of the session, the A.A.A., the Federal Emergency Relief and Farm Credit Administrations saw that additional funds would be needed to handle the increasingly acute drought situation. As a result, several million cattle will be turned into satisfactory canned beef for relief purposes.

SAVING OF THE CATTLE

The A.A.A. work could start promptly because cattle had been made a basic commodity under the Jones-Connally Act. Without governmental action, these cattle would have died of thirst or hunger, rotting on the range. The people on relief will have more beef to eat. Prices paid to farmers outside the drought regions have been protected against a smash under the impact of a rush of distress animals to market. Western cattlemen, cattlemen everywhere, and their creditors, will have more money; and if the drought in the end does not prove too utterly disastrous, there will emerge from the tragic mess a better proportion of grazing land in the West.

The consumer cannot escape somewhat higher prices, resulting from this drought. Such a catastrophe is bound, in many ways, to take its toll as inevitably as does an eruption of Mount Vesuvius.

But because we saw this catastrophe in its inception and took means to salvage all that cattle meat; because, also, in June, we released acreage previously contracted to be held out of commercial crops, for planting to hay and forage feeds, there is a firmer foundation under the future meat-production schedule of this country—both from the producers' and the consumers' standpoint—than there would otherwise have been.

BETTER STOCK FOR FUTURE

Grain, grass, and forage have been saved from the jaws of then unneeded and unborn livestock. Through relief measures, the superior breeding stock of our herds in the stricken territory has been preserved. Cattle of the future will be of more efficient type. There is now a better balance between livestock and feed crops than there would have been if the adjustment program had not been in effect. In the long run, all this is a matter of insurance against absolute privation, for the consumer as well as for the farmer.

The farmers, despite such aid as we can soundly give them, are paying for the drought now, in terms of normal yields shot to pieces. The consumers—and this in some part again includes the farmers—will have to help pay for it in the coming year, in terms of prices imposed by a relative scarcity. Pork prices in 1935 will undoubtedly be higher than if we had not taken action. Bread may be perhaps a cent a loaf higher. Cotton shirts and overalls will cost perhaps about 10 cents more apiece.

ACTION BY CONGRESS

But all this has been absolutely essential to prevent the complete ruin of hundreds of thousands of farm families; to avoid striking them from the lists of buyers of city-made goods; to keep them on their farms, ready to resume in normal weather their function of growing the nation's food; to insure in the future better-balanced farming systems and a more stable food supply; and to prevent a renewal of wholesale disposessions and migrations, with increasing pressure upon city occupations and relief rolls.

Drought is an appalling thing. But in providing for planning to meet any situation, in creating emergency agencies with flexible powers to act promptly to meet any kind of crisis, Congress did more to protect social values threatened by drought than could have been done in any other way. It is possible for a governmental body equipped with the powers of the A.A.A. to mitigate drought's worst horrors.

The Agricultural Adjustment Act is an adjustment act, not merely a reduction act. Reduction was the first aim because surpluses had accumulated. Most of these surpluses will be down to normal by next summer. That will call for a new attack; and perhaps advance a march toward stored surpluses for lean years and insurance of a continued and stable food supply. I hope also that with explosive crop surpluses out of the way, not only in this but in other countries, we shall find ourselves in a better position to reorganize farm production on less cramped and denying lines; to lower tariffs, and to resume world trade.

THE COMING WINTER

Three million farmers have signed adjustment contracts and are cooperating through their own county associations to stabilize production. A million more are working cooperatively under marketing agreements and licenses.

They do not have to face bare-handed and alone the cruelties of drought. They do not have to engage in ruthless competition with one another or abandon themselves to jungle economics. They do not have to look forward to another sequence of bubble and collapse.

Instead, with the Adjustment Act, the farmers have the machinery to control their own affairs. They have the instrument for careful and intelligent planning for the future. With their county associations, they have the means to play their own individual part in shaping and operating all programs. They can call upon the centralizing power of the Government to help them in their collective efforts.

In short, they may look with confidence toward increasingly stable and enduring prosperity, and to all that means not only to themselves but to the whole Nation.

